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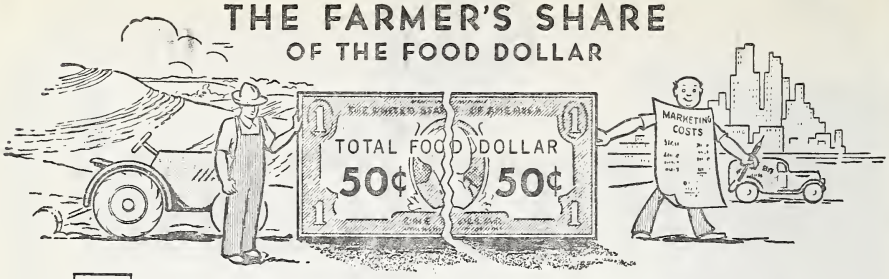
THE FARMER'S SHARE
OF THE FOOD DOLLAR



FOR	FARMER'S SHARE	MIDDLEMAN'S SHARE
POULTRY AND EGGS	69 CENTS	31 CENTS
MEAT	66 CENTS	34 CENTS
DAIRY PRODUCTS	58 CENTS	42 CENTS
FRUITS & VEGETABLES	41 CENTS	59 CENTS
GRAIN PRODUCTS	22 CENTS	78 CENTS
EGGS	75 CENTS	25 CENTS
BEEF	66 CENTS	34 CENTS
FLUID MILK	66 CENTS	34 CENTS
LETTUCE	54 CENTS	46 CENTS
POTATOES	53 CENTS	47 CENTS
ORANGES	28 CENTS	72 CENTS
CANNED CORN	18 CENTS	82 CENTS
BREAD	17 CENTS	83 CENTS

DATA AS OF FEBRUARY 1949

U. S. DEPARTMENT OF AGRICULTURE NEG. 47098-X BUREAU OF AGRICULTURAL ECONOMICS

Food prices fall; so does

THE FARMER'S SHARE

of the consumer's dollar

DECLINING food prices in recent months have given the American consumer about the only relief from the high cost of living that he has received since the upward spiral began after the war ended.

As a consumer, the farmer has benefited from lower prices for the things he buys at the grocery store. As a producer, however, it's an old story that has been repeated many times in the past. While food prices dropped, his share of the consumer dollar dropped as well.

Last July, a family "market basket"—the average quantity of farm food products bought each year by a family of three average consumers in 1935–39—cost a record $708 at retail. In February, the market basket was down $70 to $638. More than four-fifths of the drop, or $57 was due to lower prices farmers received for their food products. Only $13 came from reduced marketing costs.

Farm Share Down 3 Cents

To put it another way—last July the farmer got an average of 53 cents out of every dollar the consumer spent for market basket foods. In February, his share was 3 cents less while the middleman's share had gained the same amount.

The increase in the retail cost of the market basket since price controls ended is well known. Not so well known is the fact that more than half of the rise is due to higher marketing costs. The decline in the retail value of the market basket since mid–1948 has left it $158 or 33 percent higher than it was when price controls ended in 1946. Marketing costs rose $91 to $317 while the farm value of market basket foods was up $67 to $321. Part of these gains offset the loss of Government subsidy payments (see table).

If You Got Nothing . . .

The $317 share of the market basket received by middlemen in February was about the same as the entire average retail cost of the market basket in either 1939 or 1940. In other words, even if farmers had given their products away in February, with no decline in marketing margins, the market basket would have cost consumers as much as just before the war.

While the farmer's share of the food dollar has dropped from the high levels

How Retail Cost of Market Basket Is Divided

Market basket [1] items	1939	1948	June 1946	July 1948	February 1949	Changes		
						1939 to 1948	June 1946 to February 1949	July 1948 to February 1949
Retail cost—dollars	316	687	480	708	638	+371	+158	−70
Farm value—do	122	359	[2] 254	378	321	+237	+67	−57
Marketing margin—do	194	328	[3] 226	330	317	+134	+91	−13
Farmers' share of consumers' dollar—cents	39	52	53	53	50	+13	−03	−03

[1] The "market basket" contains quantities equal to 1935–39 average annual purchases per family of 3 average consumers.
[2] Subsidy $12.
[3] Subsidy $16.

of wartime, it is much larger than before the war. In 1939, for instance, marketing accounted for 61 cents of the food dollar, leaving farmers only 39 cents.

A series of studies have provided a good deal of information on how food marketing costs in 1939 were divided among the various agencies and how they were broken down by cost items.

The break-down of the consumer's food dollar for that year by marketing functions: retailing, 23 cents; processing, 21 cents; wholesaling, 7 cents; long-haul transportation between markets, 6 cents; assembling, 4 cents.

Marketing charges by cost items: salaries and wages, except labor cost of transportation, 25 cents of the retail food dollar; transportation, 6 cents; other costs such as rent, power, and supplies and equipment, 25 cents; profits, 5 cents.

Margin Below Prewar

By 1948, the share of the consumer's food dollar going to marketing agencies had dropped to an average of 48 cents for the year. Since marketing costs for the entire market basket rose from $194 to $328, however, marketing agencies were getting the highest dollars-and-cents share of the retail cost of the market basket for any year on record, beginning with 1913.

The decline in the marketing share of the consumer's food dollar since 1939 has not affected each agency in the same way because some marketing costs are more flexible than others. For example, it is estimated that the retailer's share of the food dollar has declined more than the share of most other marketing agencies.

The accompanying chart shows how the farmer's share of the consumer's dollar varies from product to product. Take bread and beef as examples. In February 1949, marketing accounted for 34 percent of the retail price of good grade beef compared with 83 percent for white bread. The main reason for this difference is that more of the total cost of producing and marketing the beef the consumer puts on his table is paid by the farmer than in the case of bread. In fact, the production costs of wheat and other grains often become feeding costs for the cattleman. For bread, the farmer's cost of producing the wheat that goes into a pound loaf of bread is much less than costs of millers, bakers, and retailers.

The way in which production and marketing costs are divided between the farmer and the marketing agencies is generally the reason why the farmer's share of the consumer's dollar is higher for meats, dairy products, and poultry and eggs than for grain products and fruits and vegetables. It does not necessarily mean that the marketing process for the latter is more inefficient or that the middleman is getting a bigger profit.

If farmers' prices continue to go down his share of the consumer dollar also is likely to continue to decline as it has on similar occasions in the past. However, there seems little likelihood that the farmer's share will fall to prewar levels for some time. The level of consumer income in prospect and the farm price support program should prevent any drastic decline.

Costs Change Slowly

The record shows that a decline in the farmer's share has usually accompanied declining prices while the relative share of the middleman increased. Past experience demonstrates that marketing charges are relatively rigid and change more slowly than prices. Railroad freight rates, for example, have risen about one-third in the last 2 years. There is little prospect for a large reduction soon, even if prices fall. Wage rates, the chief item in marketing costs, have gone steadily upward and are more than double prewar. Any declines will come slowly. Over the past, reductions in marketing labor costs have come mainly from higher labor productivity.

Profits after taxes also appear to have taken a larger share of the retail food dollar during the last 2 years than in 1939, despite the fact that taxes on business income have taken more of total profits.

Richard O. Been
Bureau of Agricultural Economics

International Wheat Pact Includes 41 Nations

A NEW international wheat agreement providing for a trade of 456 million bushels of wheat among 41 countries within certain price ranges was concluded at a conference in Washington last March.

The agreement must be approved by the governments of most of the countries before it will go into effect. In the United States the pact has been submitted to the Senate for consideration as a treaty.

The pact is drawn up along the same general lines as the 1948 agreement which was not ratified by enough countries to bring it into force. Its objective is "to assure supplies of wheat to importing countries and markets for wheat to exporting countries at equitable and stable prices." If accepted, the agreement would run from August 1, 1949, through July 31, 1953.

Ceilings and Floors

A maximum price of $1.80 per bushel is set for each of the 4 years. The minimum price is $1.50 for the year beginning August 1949 and declines 10 cents a year to $1.20 in 1952–53. These prices are for No. 1 Manitoba Northern Wheat in bulk in store at Fort William, Port Arthur, Canada. Equivalent ceiling and floor prices for other grades of wheat at various markets will be determined by a committee set up for that purpose.

Prices will be free to move within these ranges. Exporters have no obligations to sell unless buyers offer the ceiling price. Importers have no obligation to buy wheat unless it is offered at the floor price. Member countries could buy and sell any amount of wheat outside these price ranges. However, such transactions would not count toward fulfillment of the terms of the pact.

Transactions in wheat flour under the pact will take place at prices consistent with the prices fixed for wheat.

The agreement now includes 36 importing nations which have accounted for about 65 percent of the total world wheat imports since the end of the war. Exporting countries include Canada, Australia, France, Uruguay, and the United States. Other countries may join the pact later on terms established by the International Wheat Council, the governing body for the agreement.

U. S. Share—168 Million

The 456 million bushels of wheat to be sold annually would be divided among exporting nations as follows: Canada, 203 million bushels; United States, 163 million; Australia, 80 million; France, 3 million; and Uruguay, 2 million. The amount each importing nation agrees to buy also is set by the pact.

The necessity of meeting wheat requirements in occupied areas will be considered in determining the ability of the United States to meet its obligations. The agreement recognizes that guaranteed sales of the United States do not include requirements for any occupied territory which this country has, or may assume, supply responsibility.

Wheat Council Set Up

The pact will be administered by an International Wheat Council made up of representatives of all nations which ratify the agreement. Decisions of the Council will be by majority vote except in certain cases where a two-thirds majority of both exporting and importing nations is required. The United States will have 369 votes of the total of 1,000 votes held by exporters.

Administrative provisions of the pact go into effect July 1 if governments of nations responsible for not less than 70 percent of guaranteed purchases and governments of nations responsible for not less than 80 percent of sales have accepted the pact by that date. Operating sections of the agreement are to go into effect not later than September 1.

Robert E. Post
Bureau of Agricultural Economics

The Secretary's *Agricultural Price Program*

IMPORTANT changes in the Nation's agricultural price programs were proposed on April 7 by the Secretary of Agriculture, Charles F. Brannan, at a joint hearing of the House Committee on Agriculture and the Senate Committee on Agriculture and Forestry.

The Secretary began his testimony with a detailed argument in favor of price supports as "the most effective method yet suggested" for assisting farmers to maintain a reasonably stable income at a fair level. He added that price supports "must remain an integral part of our national economy until and unless a better method is suggested."

Major proposals made by the Secretary included: (1) A new income-price support formula and the abandonment of the parity price formula; (2) A new list of commodities which should receive priority of funds available for price support; (3) Use of "production payments" for perishable or nonstorable commodities, while using commodity loans and purchase agreements for storable commodities; and (4) A reappraisal of the conditions and limits of price supports. This includes a suggestion that farmers benefiting from price support should observe minimum conservation practices and that production above roughly $25,000 in value for any one farm should not be eligible for support.

Those interested in a complete discussion of the program, as well as the reasoning underlying it, can write the United States Department of Agriculture, Washington 25, D. C., for a copy of the Secretary's statement.

How the New Formula Works

The new formula recommended by Secretary Brannan would base support prices for farm products on the purchasing power of farm income. The way in which farm income is translated into support prices can be most easily understood by taking an example and following the calculations through step by step. In his statement, Secretary Brannan shows how support prices for 1950 would be calculated.

The Income Standard

The first step is to calculate an *income support standard.* For 1950 this would be the level of cash returns from farm products which is equivalent in purchasing power to the average annual purchasing power of cash receipts from farm marketings during 1939–48.

The income support standard for a given year is obtained by multiplying average purchasing power of cash receipts in the base period by an index showing how much prices paid by farmers, including interest and taxes, have changed since that base period.

Average purchasing power for 1939–48 was worked out by dividing cash receipts for each year by the index of prices paid for that year. This gives average purchasing power for each year. Average purchasing power for 1939–48 period was then calculated. This was 18,218 million dollars.

The income standard for 1950 is then found by multiplying average purchasing power by the index of prices paid for 1950. For the illustration, it was assumed that the index for 1950 would be 144, the same as it was on March 15 of this year. An index of 144 means that prices paid average 1.44 as high as during the base period (1939–48=100).

Standard Below 1948 Returns

Multiplying $18,218,000,000 by 1.44 gives an income support standard of $26,234,000,000. This is the amount of money farmers must receive from marketings in 1950 in order for their purchasing power to equal the average purchasing power of cash receipts in 1939–48. This income standard is about 15 percent lower than actual cash receipts from farm marketings in 1948.

The index of prices paid including interest and taxes in the new formula is similar to the "parity index" now used, except that the first 10 of the

last 12 years equals 100. In the present parity index, 1910–14 equals 100.

Figuring Support Prices

After determining the income support standard, the next step in the formula is to translate it into *price support standards* for individual farm products. This requires two more calculations:

1. The income support standard is divided by average cash receipts of farmers for the last 10 years, 1940–49.

Cash receipts for 1940–49 (1949 receipts estimated) averaged 20,980 million dollars. The estimated income support standard for 1950 is 26,234 million dollars. Divide $26,234,000,000 by $20,880,000,000 and you get 1.25.

2. The average price of each farm product for the last 10 years is multiplied by this figure, 1.25 to determine the support level for each product.

Wheat prices, for instance, averaged $1.50 per bushel for 1940–49. Multiplying $1.50 by 1.25 gives $1.88 the price support standard under the new formula. A comparison of support prices for major crops figured under the new formula with 90 percent of parity under the old formula and with supports under the Agricultural Act of 1948 is shown in the table below. In general, the new formula would increase support prices for livestock relative to those for crops.

Some Important Points

There are some important points to remember in connection with the new formula.

First, the income support standard is not a parity income figure. It is not set at a level which closes the gap between average per person income of farm and nonfarm people. The price support standards, which are computed from the income standard, Secretary Brannan stated, simply represent "realistic minimums below which it is not in the interest of farmers or consumers to allow farm prices to fall."

A second important point is that the new formula is based on cash receipts from farm marketings rather than net farm income. This has two advantages, Secretary Brannan believes. First, it is simpler to calculate support prices on the basis of cash receipts. Second, both the farmer and businessman are interested in farmers' total purchasing power—that is, the amount of money farmers have to spend for both production items and family living items. Net income, of course, is the amount farmers have left after production costs have been taken out.

Estimated Alternative Support Standards for 1950

[Based on parity index for Mar. 15, 1949, and estimated average prices received by farmers, 1940–49]

Commodity	Unit	Income support standard [1]	90 percent current parity	Support range—Title II, Agricultural Act of 1948 [2]		
				60 percent	72 percent	90 percent
Wheat	Bu	$1.88	$1.95	$1.24	$1.48	$1.85
Corn	Bu	1.46	1.42	.90	1.08	1.35
Cotton	Lb	.2799	.2745	.1739	.2087	.2608
Tobacco:						
Flue-cured	Lb	.492	42.5			.429
Burley	Lb	.496	41.1			.434
Milk, wholesale	Cwt	4.22	3.55	Not more than		3.70
Hogs	Cwt	19.00	16.10	Not more than		16.60
Eggs	Doz	.458	.476	Not more than		.453
Chickens	Lb	.290	.252	Not more than		.252
Beef cattle	Cwt	16.90	12.00	Not more than		14.80
Lambs	Cwt	18.40	13.00	Not more than		16.00

[1] 1940–49 average prices times 1.25. Prices for 1949 estimated basis current prices and announced or mandatory support levels for 1949.

[2] Based on parity revisions Title II, Agricultural Act of 1948 including transitional parity prices which are 95 percent of present parity. Transitional parity prices in this table are for wheat, corn, cotton, and eggs.

Bases Change Each Year

Another thing to remember about the new formula is that the base periods used are *moving bases*. In other words, each January the first year of the base period would be dropped and a new year added. Among the reasons for selecting moving bases, according to Mr. Brannan, is that the formula "should be based on recent experience and not related or chained back to some distant base period." A recent base helps keep price relationships among the various commodities up to date. It also more accurately reflects advancements in agricultural knowledge, facilities and skills, and the changes in the relative demand of consumers for different products.

High, Low Years in Base

The base selected as the starting point for the income standard is 1939–48. The secretary described this as a "recent and fair base," because it includes prewar years when cash receipts were low, war years when price controls were in effect, and postwar years when cash receipts were the highest in history.

Operations of Support Programs

In addition to the new formula for determining support prices, Secretary Brannan also made several proposals about the operation of price support programs. Generally, the recommendations concerned extension of measures which are, or have been, in effect.

Suggests Priority List

Secretary Brannan recommended that Congress name the farm products which should have priority of funds available for price support. These products should be selected from the standpoint of their contribution to farm income and their importance to the consumer. The Secretary believes this list should include at least the following: corn, cotton, wheat, tobacco, whole milk, eggs, farm chickens, hogs, beef cattle, and lambs.

The crops in this list include four of the six "basic" commodities in the present program. The four products brought farmers about 22 percent of their total cash receipts from farm marketings in 1948. The livestock products in the list, which have not been classed as basic commodities in the past, accounted for about half of cash receipts last year. The program is designed to emphasize livestock.

Products selected by Congress for priority should be maintained at the full price support standard, Secretary Brannan stated. Other products would be supported in line with the priority group, according to funds and authorities available, the ability of producers to keep supplies in line with demand, and other factors.

Authority to adjust supports for these commodities to maintain desirable price relationships among farm products would be needed, the Secretary said. This would apply especially to changes necessary to maintain normal feeding ratios or feed value relationships. On occasion, it might be necessary to recommend to Congress similar adjustments for products on the priority list.

Price Support Methods

Price support methods for individual commodities, Brannan said, should depend largely on whether the commodity can be stored economically.

Prices of storable commodities—corn, wheat, other grains, tobacco, oilseed crops, dry beans and peas, wool and peanuts—are well adapted to commodity loans and purchase agreements. These would continue to be the chief price support methods for this type of commodity.

Production Payments

For products which are either highly perishable or which can be stored only at heavy expense, production payments are recommended as the main method of support. Under this system, prices would be allowed to seek their supply-demand level in the market. The farmer would be paid in cash the difference between the price support standard and an average selling price for his commodities.

Production payments have several important advantages, Secretary Brannan believes. Direct payments to farmers would be an efficient type of support operation. The system would encourage efficient farm production because a farmer who could get more than the average market price by quality of product or by good bargaining would benefit to the extent that his selling price exceeded the average. The system also would allow farmers to keep on producing as consumption increases instead of curtailing production.

Secretary Brannan also believes that production payments have considerable advantage to consumers over support methods now used. This method of support would allow prices to seek their own supply-demand level in the market, instead of supporting prices by withholding products from the market, at risk of spoilage, or diverting them into unusual uses. This would permit greater consumption than if prices were maintained at fixed minimums, as is the case under present legislation.

Purchase Programs Needed

Direct purchase programs also should be available for supporting prices of perishable products, Brannan told the committees. One of the biggest obstacles to fruit and vegetable growers is a seasonal glut in the market, he pointed out. At these times, marketing agreements and merchandising programs often will not completely meet the situation. It is necessary for the Government to make direct purchases to divert supplies from normal trade channels.

Conditions and Limits of Support

Secretary Brannan recommended several conditions and limits to the operation of the price support program. These fell into three groups:

1. Observance of minimum and sound soil conservation practices.

2. Compliance with, or adoption of, whatever programs are found necessary to curtail wasteful production or disorderly marketing. Measures suggested by Mr. Brannan for this purpose include acreage allotments, marketing agreements and marketing quotas, all of which are authorized by present legislation. Farmers would have the opportunity to vote on whether marketing quotas should be put into effect.

3. Limits on the extent of price support in order to avoid providing financial encouragement to the development of extremely large-scale industrialized farming. To accomplish this, Secretary Brannan recommended that the production from any farm in excess of a certain amount should not be eligible for price support. That amount would be 1,800 "comparative units," one unit being 10 bushels of corn or its equivalent in any other commodity. The Secretary explained to Congress that this limit would not apply when acreage allotments or marketing quotas allowed a producer more than 1,800 units of a crop for which prices were being supported. He made it clear that all farmers would receive support up to 1,800 units, if they produced that much of any supported commodity.

Wesley McCune
Executive Assistant to the Secretary

Men's *Fiber Preferences* in 9 garments

MORE than two-thirds of the men questioned in a recent survey said they would rather have their business shirts, pajamas, and underwear for year-round use made of cotton.

This was one of the findings of a study of men's preferences for cotton, wool, rayon, nylon, and their mixtures in selected articles of apparel. The survey was made by the Bureau of Agricultural Economics with the cooperation of the Bureau of Human Nutrition and Home Economics, the Production and Marketing Administration and the Southern Regional Laboratory at New Orleans. It was financed by funds appropriated under the Research and Marketing Act. So far, only a summary of preliminary findings is available.

Apparel selected for the study: business (dress) shirts, summer sports shirts, extra trousers (not a part of a suit), summer suits, socks (other than work socks), underwear, pajamas, robes, and raincoats.

Ask Many Questions

In the survey, interviewers talked with 2,203 men selected so as to represent the 50½ million in the United States who are 16 years of age or older. These men were asked about their preferences among the various competing fibers, about the beliefs they have concerning the advantages and disadvantages of the fibers in the various garments, and the characteristics of finished garments they liked and disliked.

The information from these interviews will be useful to those who sell finished clothes, those working on improving fibers used in clothing, or those concerned with the design, manufacture, and fabrication of clothing. This information also will interest the producers of fibers since consumers' preferences help determine the fibers that will be used in clothing.

Of the nine articles selected for the survey, only underwear, socks other than work socks, and business shirts were owned by practically all of the men. Nearly three-fourths owned extra trousers, 65 percent a summer sports shirt, 60 percent a raincoat, and 53 percent a robe. Forty-eight percent of the men owned a wool shirt, and 40 percent a summer suit. A little over half said they used pajamas.

Most Men Do the Picking

Except for pajamas and robes, the majority of the owners of the other garments said they usually made their own selections. Summer suits and extra trousers were most often chosen by owners. Slightly less than half said they picked out their robes and pajamas.

Wives, however, play an important part in the market for men's clothing. Two to three out of every ten owners said their wives picked out most of all items except extra trousers and summer suits. In other cases, wives helped make the selections. Mothers and other persons generally played a small part in selecting men's clothes.

Other major findings:

Fibers men say they prefer in each garment. Business shirts, underwear for year around use and pajamas were the only garments for which more than half the men agreed on one fiber. Here are the other major fiber preferences:

Summer sports shirts—cotton 38 percent, rayon 26, mixed fibers 16. Socks for year around wear—cotton 25 percent, rayon 24, mixed fibers 23. Socks for winter use only—wool 40 percent, mixed fibers (chiefly wool-cotton) 33, cotton 17. Extra trousers for year-round use—wool 47 percent, mixed fibers 32. Extra trousers for summer—mixed fibers 33 percent, wool 28, cotton 16, rayon 10. Summer suits—wool 39 percent, mixed fibers 35. Winter underwear—wool-cotton mixture 45 percent, cotton 40. Robes—wool 32, mixed fibers 16, cotton 13, rayon 12.

Men's beliefs as to the advantages of each fiber. Men who preferred cotton

said they did so mainly because it was comfortable to wear. By this, they usually meant that it was cool or that it felt pleasant next to the skin. Next to comfort, men chose cotton because they believed it can be washed safely, or more easily, or more satisfactorily than competing fibers.

Comfort and appearance were the main reasons given by men who said they preferred wool. Comfort usually meant warmth in robes and underwear. Concerning appearance, men most frequently mentioned the beliefs that wool holds a press better than other fibers and does not wrinkle or "muss up" so easily.

Coolness, appearance, and a pleasant feeling next to the skin were most often mentioned by men who said they preferred rayon.

Men's beliefs as to the disadvantages of each fiber. After a man had said he preferred a particular fiber, he was asked why he did not care for the other fibers also used in making the particular garment.

Wool too Warm

The only important reason given for preferring some other fiber than wool was the belief that wool was too heavy, too warm and uncomfortable. Since many of the garments covered in the survey are worn in the summer, however, this reason is not particularly surprising.

Men who did not like cotton shirts did not think they had a nice appearance or were comfortable to wear. Some of the men objected to cotton extra trousers or summer suits because they felt they wrinkled easily and failed to hold a crease. Cotton winter clothing was criticized for lack of warmth.

Reasons for disliking rayon varied more widely. Owners of garments who said they preferred some other fiber most often criticized rayon on grounds of comfort, appearance, laundering, and durability. Objections on the basis of comfort usually referred to lack of warmth in clothing worn in the winter and the tendency of rayon pajamas, underwear, robes, and summer sports shirts to cling to the body and not stay in place. Wrinkling or rumpling and not holding a press were appearance factors objected to for business shirts, sports shirts, extra trousers, and summer suits. Rayon shirts were criticized more often for what the men called poor laundering qualities than any other garment made of rayon. Lack of durability was one of the main objections to shirts, underwear, and socks made of rayon.

A sizeable group of garment owners who said they preferred a fiber other than rayon had had no experience with rayon clothing.

Style Appeals to Many

Important features men look for in buying clothing. Questions about these features were asked the owners of business shirts, summer sports shirts, extra trousers for the year-round, extra trousers for summer use only and summer suits.

Owners of both business and sports shirts mentioned most often style and construction features such as shape of collar, pocket style, length of sleeve in sports shirts. Owners of sports shirts emphasized these features far more than any other feature. Owners of business shirts mentioned correct size and fit and quality and kind of material almost as often as style features.

Owners of summer suits mentioned quality and kind of material most often. Comfort—usually meaning coolness—was a close second with style features third. Quality and kind of material also were mentioned most often by owners of extra trousers with style features next.

Desirable color was named by 25 to 34 percent of the owners of the five items. Other features named included specific brand, good laundering qualities, inexpensive price, and good workmanship.

Abraham M. Weisblat
Bureau of Agricultural Economics

Immigrant Legume

A Boon to the Southland

THE MAN on the tractor replied, "Mister, that's Koreer," when asked when he was plowing under. Then he added, "it's the making of these hills."

He was working in a sidehill field near the Ohio River, turning under a stand of Korean Lespedeza that would make more than a ton of hay to the acre. Lespedeza was—and is—"the making," not only of the hills, but also of the valleys, the plateaus and the plains of that vast region in the southern Appalachian and Ozark uplands.

No one knows how much pasture land has been seeded with lespedeza, either by design or by natural invasion. In parts of North Carolina, Tennessee, Kentucky, Arkansas, and Missouri it can be found in almost any pasture or along almost any roadside or fence row. The solid agricultural value of this crop is attested by the twentyfold increase in 20 years in the acreage of lespedeza hay. It is necessary to go back a little into history to understand the phenomenal spread of this legume.

Clover "Running Out"

For more than 100 years farmers in Kentucky and Tennessee had been growing red clover as their principal legume crop, along with corn, wheat, cotton, and tobacco. But clover was "running out" and all too often the land was running down. Not only figuratively, but actually the land was running down—down the branches, down the creeks and the rivers to the Mississippi and on to the Gulf. The story was the same over in the Arkansas and Missouri hills. To the southeast, all the way down to the "flat woods," farmers needed a legume that would grow where clover did not do very well.

Meanwhile, for half a century or more a little immigrant plant was spreading westward from the south Atlantic coast. It was an oriental species of a genus discovered in North America and named *Lespedeza* by a Frenchman in honor of a Spanish governor of Florida. This little stranger was a legume which thrived in the Carolinas and Georgia. No one knows how nor exactly when it came. It is generally thought that seeds came ashore in packing material from sailing ships returning from Asia.

Armies Scatter Seed

Lespedeza was found in central Georgia in 1846. The marching armies of the sixties probably scattered lespedeza seed far and wide in the Southland. Before 1870 it was noticed in Alabama and Mississippi. A little later it was fairly common in pastures in eastern Tennessee, was being used in a small way for hay in Louisiana and seems to have been known in eastern Texas and Kansas.

The original immigrant, common lespedeza (lespedeza striata), is a rather low and spreading annual. More erect and larger types were developed some 40 years ago. Then plant explorers found the large Kobe variety of the same species and the more hardy Korean (lespedeza stipulacea). A perennial kind (lespedeza sericea) is also important. All of these are of Asiatic origin. Altogether more than 120 species of lespedeza have been found. Of more than a dozen species native to North America, none are of any agricultural importance.

The common and Korean species are annual legumes which make most of their growth in hot weather. Also, they are self seeding as usually grown or as they occur with other vegetation in pastures. But their preeminent virtue lies in their ability to make and maintain a stand on land too sour for clover. Of course, lespedeza grows better on good land, but it will grow on poor, thin, eroded, acid land. It adds nitrogen from the air and its roots help retard washing. It makes good summer pasture, or hay or cover. Common lespedeza is widely used for cover on shoulders of roads and on ditch banks. Turned under it provides a lot of humus.

Lespedeza seed are borne close to the

stems and usually shatter enough to reseed in meadows and pastures. Grown with winter grain it comes up in the spring; makes most of its growth after the grain is cut; and may be used for pasture until time to sow winter grain again. Or it may be harvested for seed or hay in the fall. Lespedeza hay is a good legume hay but usually not considered quite equal to good alfalfa in feeding value per ton.

The acreage of lespedeza hay now is about one-third that of cotton; much larger than that of flaxseed; twice that of peanuts and four times that of tobacco. In the last 20 years the acreage of lespedeza hay increased in each of half a dozen States from only a few thousand to more than half a million acres. A million acres of lespedeza hay is harvested annually in Tennessee, and in Missouri the acreage jumped from 62 thousand in 1934 to 1¾ million in 1942. In nine States the 1948 acreage of lespedeza hay was larger than that of any other one kind. That year more than 6½ million acres were cut for hay in the United States, compared with only 349 thousand in 1929. All of this is in the eastern half of the country and mostly in the South.

Lespedeza Is Fourth

The only kinds of hay with greater acreage in 1948 were clover-timothy with 22 million acres, and alfalfa and wild hay with 15 million each. None of them is grown as widely as lespedeza in the main lespedeza area. For the United States, the yield of lespedeza hay per acre is about three-fourths that of clover, but the higher yields of clover are not in the region where lespedeza is grown.

Common, Kobe, Tennessee 76 and other varieties of *L. striata* are grown as far north as the Potomac and Ohio Rivers. When the more hardy *L. stipulacea* was introduced the northern limit was pushed up to northern Missouri, Central Indiana, and southern Pennsylvania. Lespedeza stipulacea is often spoken of simply as "Korean" or "korea," which takes us back to the man on the tractor turning under "Koreer" because it is good for the land.

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Outlook Highlights

. . . MAY 1949

The Outlook—A Second Look

BAE economists have taken a second look at the outlook for agriculture in 1949. They conclude that barring unexpected changes in the international situation or in business and consumer anticipations:

1. Demand for farm products is likely to continue strong through 1949, but at a somewhat lower level than in 1948.

2. Prices received by farmers and cash receipts from farm marketings may average about 10 percent below the 1948 record.

3. Farmers' production costs are likely to be slightly smaller than in 1948.

4. Realized net income of farm operators will be down more than cash receipts but this decline will be offset in part by lower rural living costs.

Economic Activity Declines

The figures that measure business activity reveal widespread declines in recent months.

Industrial production has declined about 5 percent from the postwar peak of last November. Unemployment has risen to almost 3.2 million, but the 57.6 million persons employed in March was slightly above a year earlier.

Salaries and wages have eased off slightly. Consumer expenditures tapered off in late 1948 and probably made their first postwar decline in the first quarter of 1949. Spending by business for plant and equipment probably was down more than seasonally the first three months of this year.

Farmers Prices Lead Downtrend

Farmers' prices began to decline earlier and have dropped farther than those for most other commodities. The index of prices received by farmers in April was down 15 percent from peak reached in January 1948. Barring a severe drought, the postwar peak in farmers' prices has been passed.

Prices of Farm Products

[Estimates of average prices received by farmers at local farm markets based on reports to the Bureau of Agricultural Economics. Average of reports covering the United States weighted according to relative importance of district and State]

Commodity	5-year average		Apr. 15, 1948	Mar. 15, 1949	Apr. 15, 1949	Parity Price Apr. 15, 1949
	August 1909–July 1914	January 1935–December 1939				
Wheat (bushel) ---dollars	0.884	0.837	2.29	1.98	2.00	2.17
Rye (bushel) ---do	.720	.554	2.17	1.18	1.18	1.77
Rice (bushel) ---do	.813	.742	[1] 3.05	2.25	2.30	2.00
Corn (bushel) ---do	.642	.691	2.19	1.18	1.22	1.58
Oats (bushel) ---do	.399	.340	1.19	.700	.698	.982
Barley (bushel) ---do	.619	.533	1.85	1.06	1.00	1.52
Sorghum grain (100 pounds) ---do	1.21	1.17	3.56	2.17	2.18	2.98
Hay (ton) ---do	11.87	8.87	19.40	20.00	19.00	29.20
Cotton (pound) ---cents	12.4	10.34	34.10	28.74	29.91	30.50
Cottonseed (ton) ---dollars	22.55	27.52	89.40	51.40	50.30	55.50
Soybeans (bushel) ---do	[2].96	.954	3.64	2.12	2.08	[3] 2.36
Peanuts (pound) ---cents	4.8	3.55	10.2	10.5	10.6	11.8
Flaxseed (bushel) ---dollars	1.69	1.69	5.76	5.75	5.46	4.16
Potatoes (bushel) ---do	[4].697	.717	[1] 2.07	1.74	1.81	1.80
Sweetpotatoes (bushel) ---do	.878	.807	2.40	2.54	2.75	2.16
Apples (bushel) ---do	.96	.90	[1] 1.81	3.07	3.08	2.36
Oranges on tree (box) ---do	[5] 2.29	1.11	.90	1.53	1.92	3.69
Hogs (hundredweight) ---do	7.27	8.38	[1] 20.30	20.00	18.60	17.90
Beef cattle (hundredweight) ---do	5.42	6.56	[1] 22.50	20.50	20.80	13.30
Veal calves (hundredweight) ---do	6.75	7.80	[1] 23.90	24.50	24.90	16.60
Lambs (hundredweight) ---do	5.88	7.79	[1] 21.20	23.60	25.80	14.50
Butterfat (pound) ---cents	26.3	29.1	[1] 84.7	63.4	61.4	[6] 64.7
Milk, wholesale (100 pounds) ---dollars	1.60	1.81	[1] 4.71	[1] 4.04	3.76	[6] 3.94
Chickens (pound) ---cents	11.4	14.9	28.0	30.4	31.0	28.0
Eggs (dozen) ---do	21.5	21.7	42.6	41.2	42.3	[6] 52.9
Wool (pound) ---do	18.3	23.8	[1] 44.8	52.1	51.5	45.0

[1] Revised.
[2] Comparable base price, August 1909–July 1914.
[3] Comparable price computed under the Steagall amendment.
[4] 1919–28 average of $1.12 per bushel used in computing parity.
[5] 1919–28 average for computing parity price.
[6] Not adjusted for seasonal variation.

Prices paid by farmers including interest and taxes reached a peak in January 1948, changed little the first nine months of the year, have since dropped 2 percent.

The BLS index of wholesale prices for all commodities has dropped 8 percent from the peak of last August. During this period, wholesale prices of farm products and food showed the greatest decline. All other products, as a group, have declined little but recently there have been sharp drops in hides, steel scrap, and some nonferrous metals. Seasonal upturn in building this spring will add some strength to the prices of construction materials.

Retail prices have changed little. The BLS index of urban consumer prices hit a peak last September; had declined less than 3 percent by February. The drop was almost entirely due to lower prices for food.

Consumer Demand Slackening

Price trends during the last 15 months reflect the leveling off of economic activity and the easing of inflationary pressures. The tremendous demand for most types of consumer goods seems to be slackening. Backlog demands that carried over from the war years have largely disappeared. Recently, savings by consumers have increased. It all adds up to the likelihood of further declines in industrial production, prices, and consumer incomes.

This would mean a weaker demand for farm products than in 1948. Furthermore, prospects early this spring indicated that 1949 agricultural production again will be large unless we have a drought. The carryover from 1948 production is the biggest since the end of the war. Weaker demand and large supplies are likely to mean some

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Economic Trends Affecting Agriculture

Year and month	Industrial production (1935–39=100)[1]	Total income of industrial workers (1935–39=100)[2]	1910-14=100					Index of prices received by farmers (August 1909–July 1914=100)			
			Average earnings of factory workers per worker	Wholesale prices of all commodities[3]	Prices paid by farmers		Farm wage rates[4]	Livestock and products			
					Commodities	Commodities, interest, and taxes		Dairy products	Poultry and eggs	Meat animals	All livestock
1910–14 average	58	50	100	100	100	100	100	100	101	101	101
1915–19 average	72	90	152	158	151	150	148	148	154	163	158
1920–24 average	75	122	221	160	161	173	178	159	163	123	142
1925–29 average	98	129	232	143	155	168	179	160	155	148	154
1930–34 average	74	78	179	107	122	135	115	105	94	85	93
1935–39 average	100	100	199	118	125	128	118	119	109	119	117
1940–44 average	192	238	325	139	150	147	212	162	146	171	164
1945 average	203	291	403	154	180	172	350	197	196	210	203
1946 average	170	275	392	177	202	193	378	242	198	256	240
1947 average	187	332	440	222	246	231	408	269	221	340	293
1948 average	192	364	475	[6] 241	264	249	432	297	236	371	320
1948											
April	188	341	463	238	264	249	420	296	214	347	304
May	192	350	464	239	265	250		291	211	361	309
June	192	361	472	243	266	251		291	221	390	326
July	186	361	473	246	266	251	431	300	234	417	344
August	191	377	483	247	266	251		305	247	411	344
September	192	380	484	246	265	250		302	253	408	343
October	195	378	488	241	263	249	427	289	260	373	323
November	195	376	489	239	262	248		284	272	351	313
December	192	374	493	237	262	248		283	260	339	305
1949											
January	191	361	489	234	260	248	[5] 438	275	240	330	295
February	189	355	[6] 487	231	257	245		264	218	315	280
March	184			231	258	246		254	217	335	287
April					258	246	416	240	221	333	282

Year and month	Index of prices received by farmers (August 1909–July 1914=100)									Parity ratio[7]
	Crops								All crops and livestock	
	Food grains	Feed grains and hay	Tobacco	Cotton	Oil-bearing crops	Fruit	Truck crops	All crops		
1910–14 average	100	101	102	96	98	99		99	100	100
1915–19 average	193	164	187	168	187	125		168	162	106
1920–24 average	147	126	192	189	149	148	[8] 143	160	151	86
1925–29 average	140	119	172	145	129	141	140	143	149	89
1930–34 average	70	76	119	74	72	94	106	86	90	66
1935–39 average	94	95	175	83	106	83	102	97	107	84
1940–44 average	123	119	245	131	159	133	172	143	154	103
1945 average	172	161	366	171	215	220	224	201	202	117
1946 average	201	195	382	228	244	226	204	226	233	121
1947 average	271	246	380	261	335	194	249	261	278	120
1948 average	250	249	387	259	326	157	238	250	287	115
1948										
April	260	291	371	275	351	142	340	276	291	117
May	268	282	370	284	357	141	262	267	289	116
June	261	278	370	284	364	155	213	261	295	118
July	249	256	370	266	366	172	213	253	301	120
August	240	235	386	245	310	183	172	236	293	117
September	227	223	406	250	282	185	150	231	290	116
October	223	192	418	251	270	174	176	227	277	111
November	226	181	412	246	283	157	186	224	271	109
December	234	184	415	239	283	164	209	228	268	108
	236									
1949										
January	232	187	412	236	274	180	282	238	268	108
February	221	173	412	235	244	181	285	233	258	105
March	[5] 224	178	411	232	242	189	263	[5] 232	261	106
April	227	178	410	241	238	207	236	236	260	106

[1] Federal Reserve Board represents output of mining and manufacturing; monthly data adjusted for seasonal variation.

[2] Computed from data furnished by Bureau of Labor Statistics and Interstate Commerce Commission on pay rolls in mining, manufacturing, and transportation; monthly data adjusted for seasonal variation. Revised August 1948.

[3] Bureau of Labor Statistics.

[4] Monthly data adjusted for seasonal variation.

[5] Revised.

[6] Preliminary.

[7] Ratio of prices received to prices paid for commodities, interest and taxes.

[8] 1924 only.

Outlook Highlights

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further declines in prices of farm products.

Sharp Drop Unlikely

A sharp, over-all decline in price is not expected, however. Support prices will be near last year's levels for the basic crops. Livestock prices already have made a substantial drop and are now more in line with usual relationships with consumer income.

A sharp drop in the general level of economic activity also does not seem to be in the picture. Despite some declines, outlays by business for new plant and equipment and private spending for housing will continue large. Federal, State, and local governments are likely to spend more than last year. Consumer incomes are likely to continue to support larger consumer spending than in any year before 1948.

Foreign takings of United States farm products probably will continue large.

Farm Land Values Down

Farm land values in the United States showed the first decline in years during the four months ending March 1. In this period, the index of farm real estate values fell one percent below November 1, 1948, leaving it only 3 percent above March 1948. In the previous year, land values advanced 7 percent.

In the Mountain and Pacific States, land values were at or below the November level at the beginning of March. The Middle Atlantic and East South Central States showed the greatest strength but the gains generally were not more than 5 percent.

Trends in land values from November to March suggests that the postwar peak in land values probably has been reached in many areas.